

Terms of Engagement (ToE)

Introduction

These *terms* have been developed in relation to the forestland investments of Ingka Group. We are committed to manage these investments based on our culture and values, in a responsible manner and in a healthy, safe, efficient and sustainable way. Our aim is to deliver high quality operations while setting good examples on responsible forest management and considering the best interest of people, in particular people's working conditions, planet and environment, both locally and globally.

These *terms* include mandatory requirements that **Ingka Investments Estonia OU is following** and requesting to be complied with by the *contractors* of an *Ingka contract partner*.

Legal compliance and Ingka Requirements

The provisions of these *terms* should be considered as a minimum set of requirements and are not intended to supersede national legislation or other accepted standards stipulating higher requirements applicable to our operations. More stringent applicable requirements should have priority over the provisions on these *terms*.

Should any provisions of these *terms* contradict national laws, the laws shall always be complied with and prevail. In such cases, the *contractor* shall immediately inform the relevant *Ingka contract partner*.

Confidentiality

The successful implementation of the *Terms* depends on the co-operation, mutual trust and respect between the *contractor* and Ingka. All oral and written information received from the *contractor* are to be treated confidentially by Ingka, its employees and any third party organizations appointed by Ingka.

Terms in *Italics* have the meaning ascribed to them in the Definitions section below.

Terms of Engagement

1. General conditions

- 1.1 **There are *routines* in place to ensure the applicable laws and regulations related to the contract and ToE requirements are implemented.**
- 1.2 **ToE requirements are communicated and applicable to all *sub-contractors*. The *contractor* has secured the right to perform ToE audits for itself and for *INGKA contract partner*.**
- 1.3 **ToE are communicated to all *workers* in a language understood by them.**
- 1.4 There are *routines* on how to bring up issues and complaints regarding ToE related issues e.g. around discrimination, harassment or abuse. These grievance *routines* are well known to *workers*.

2. Business ethics

- 2.1 **The *contractor* is aware of Ingka Group's position on business ethics; Ingka Group Business Ethics has been communicated to all *workers* in a language understood by them.**
- 2.2 **ToE relevant documents, records, reports etc. are transparent, correct and reliable.**

3. Environment (Biodiversity, water, soil, air protection, waste management)

- 3.1 The *contractor* complies with all the restrictions, conditions or management measures established and communicated by *INGKA contract partner* for the different categories of *High Conservation Values*, biodiversity elements or protected areas overlapping the *working area*.
- 3.2 *Perennial waters* and the *buffer zones* around/along them will be protected during harvesting, transport, storage or other operations within the *working area*.
- 3.3 The contamination of water and soil with fuel, oil or other substances is prohibited and measures to avoid it are always applied.
- 3.4 The collecting paths are being designed and executed with a maximum care to ensure that soil compaction and erosion are minimized.
- 3.5 The *contractor* shall use only marked and agreed collecting paths.
- 3.6 When the transportation of logs or the process for collecting thereof causes the erosion of soil or deteriorates the roads or access way, any such transportation and collecting operations should be stopped.
- 3.7 After harvesting operations are completed, the skidder roads shall be brought to the initial status. To this end, the *contractor* shall take any requisite anti-erosion prevention measures.
- 3.8 Techniques and equipment that minimize impacts to vegetation, soil, air and water are used whenever feasible.

- 3.9 Waste is collected, stored, handled, transported and handed over/disposed according to the law, in a way that prevents contamination of air, ground and water, prevents risks of ignition/explosion and ensures *workers'* health and safety.
- 3.10 **Any water, soil, air contamination is immediately acted upon, reported to relevant authority and to *INGKA contract partner*.**
- 3.11 **All applicable laws and regulations relating to environmental impact and protection, but not covered by the points of this chapter above are complied with.**

4. Chemicals

- 4.1 The *contractor* keeps and updates a list of all chemicals with the valid MSDS (Material safety Data Sheet) used throughout the validity of the contract concluded with ***INGKA contract partner***. The MSDS is in a language understood by ***the workers***.
- 4.2 *Routines* for the purchasing, storage, handling, use of *chemicals* and emergency response *routines* are implemented by the *contractor*.
- 4.3 *Workers* handling *chemicals* have the right competence and they are adequately trained in handling, using and storing *chemicals*.
- 4.4 *Chemicals* are stored, handled and transported in a way that prevents emissions to air, ground and water and risks of ignition/explosion, and that protects the health and safety of *workers*. Applicable information regarding the risks and safe handling of chemical compounds and substances is displayed at storage areas and in operations areas where the *chemical* is used.
- 4.5 All chemical containers are properly labelled with appropriate and easy to understand explanations, to ensure that *workers* are aware of the contents of the containers and the associated risks.
- 4.6 Applicable laws and regulations relating to purchasing, storage, handling, use and transportation of *chemicals*, but not covered by the points of this chapter above are complied with.

5. Emergencies and fire prevention

- 5.1 Site emergency plans are developed and implemented. They include potential hazards and emergency scenarios (fire, natural disasters, etc.), evacuation *routines* and defined roles and responsibilities during emergency situations.
- 5.2 *Workers* are made aware of basic fire safety issues before starting work and trained on using the firefighting equipment.
- 5.3 Appropriate firefighting equipment is available on *machinery* and *shelters*.
- 5.4 The firefighting equipment is unlocked, easily accessible, identifiable from a distance and properly maintained (valid and in proper functioning).
- 5.5 The firefighting equipment is inspected internally or by an authorized external company at least once every 12 months. Records of maintenance are kept and/or stickers/tags placed on the equipment.
- 5.6 Applicable laws and regulations relating to fire protection but not covered by the points of this chapter above are complied with.
- 5.7 If fire inspections result in required corrective actions, the corrective actions are documented and completed within the specified timeframe.

6. Worker health and safety

- 6.1 A *risk assessment* has been done for each *working area*. It is updated if technological solutions/operations are changed.
- 6.2 A *routine* for reporting, analysing, following up and acting on *Incidents* and *accidents* is implemented.
- 6.3 The *contractor* will inform the relevant *competent authorities* and **INGKA contract partner** as soon as possible, about any *Accident* occurred on the property owned or managed by **INGKA contract partner**.
- 6.4 Only the persons assigned to carry out the relevant works are present in the *working area*. Safety information and/or warning signs are clearly visible at the access points to the *working area*.
- 6.5 The *contractor* should ensure that all *workers*, as well as sub-contractors and their *workers* and self-employed persons, are prevented from exposure to severe health or safety hazards, which are to be understood as health or safety hazards that are likely to pose an immediate risk of causing death or permanent injury or illness, and are:
- a) sufficiently educated and trained in the tasks they are assigned to and such trainings are renewed as required, as well as hold the relevant skills certificates;
 - b) informed about all identified risks for safety and health in their respective activity;
 - c) suitably instructed in the hazards connected with their work and environment, as well as trained in the precautions necessary to avoid *accidents* and injuries to health;
 - d) made aware of the relevant laws, regulations, requirements, codes of practice, instructions and advice relating to prevention of *accidents* and diseases;
 - e) informed of their individual and collective responsibility for safety and health;
 - f) sufficiently instructed in the use and protective effects of and the care of personal protective equipment;
 - g) provided free of charge with appropriate personal protective equipment;
 - h) wearing the personal protective equipment always when in the *working area*;
 - i) trained to properly react in case of an accident, an emergency and/or an evacuation.
- 6.6 All *machinery* and other equipment used in operations are safe to use and equipped with the necessary safety devices in order to prevent injuries.
- 6.7 In accordance with the specifics of the work, *the contractor* shall:
- a) ensure that all equipment, tools and machines which are required for safe working are available;
 - b) ensure that all equipment, tools and machines are inspected, certified and maintained in safe and in useable condition, according to legal requirements.
- 6.8 **Well-maintained *first-aid kits* should be readily available at the *working area* and should be protected against contamination by moisture and debris. These kits should be clearly marked and contain nothing other than first-aid equipment.**
- 6.9 The *first-aid kits* shall contain equipment which is appropriate and sufficient based upon the size of the team, the extent of the activities performed as well as the potential risk of injury and should be inspected regularly in order to secure its completeness and utility.
- 6.10 An adequate number of *workers* should be trained in basic first aid. Trainings are renewed at least once every 24 months or according to legal requirement.
- 6.11 During periods with extreme weather conditions (extreme temperatures either high or low), the *contractor* shall take the measures to ensure appropriate working conditions (e.g. providing drinking water, frequent breaks, hot drinks etc.).
- 6.12 Clean drinking water is provided to all *workers* free of charge.

- 6.13 Adequate place(es) where *workers* can rest and eat during their breaks is/are available.
- 6.14 All *workers* have been actively communicated/informed that any work under the influence of alcohol, illegal drugs or any similar substance which poses a danger to their safety within the Working area is strictly prohibited.
- 6.15 Applicable laws and regulations relating to health and safety but not covered by the points of this chapter above are complied with.

7. Recruitment, Working hours, wages and benefits

- 7.1 A *legal form of employment* is available for each *worker* before they start work which specifies terms of employment in a way understood by the *worker*.
- 7.2 The *contractor* must not use *child labour, forced labour, prison labour, bonded labour* or otherwise imposed or involuntary labour; proof of age of all workers is in place. Any confirmed case of *child, forced, bonded or prison labour*, is immediately reported to INGKA.
- 7.3 The *contractor* has a documented routine to prevent *child labour* which is continuously implemented.
- 7.4 *Workers* have not been charged, directly or indirectly, any fees or commission related to the recruitment and/or employment process; if the recruitment agent has requested any such fee, the *worker* has been reimbursed by the *supplier*.
- 7.5 Payrolls and attendance records relating to the documented payment of wages and working hours for each *worker* are maintained.
- 7.6 *Workers* are not working more than sixty (60) hours per week, including overtime; *workers* have at least one day off in seven, as well as a transparent and reliable system for records of working hours and wages for all *workers* is maintained; overtime hours are on a voluntary basis.
- 7.7 *Workers' wages*, including compensation for overtime, are paid on time at regular intervals and at least monthly.
- 7.8 *Workers* have not been requested to provide deposits and have not been offered wage advances or loans with the consequence of indebting the *worker* and binding him or her to employment.
- 7.9 *Workers* are not requested to pay any deposits.
- 7.10 *Workers* have the freedom to terminate employment at any time according to the agreed notice period, without penalty or salary deductions.
- 7.11 Unless regulated by law, *workers* are not paid less than the legal minimum wage as established at the national level.
- 7.12 *Workers* are compensated for additional living costs resulting from working away from their base location.
- 7.13 Pay slips or other similar documents with complete pay information are provided/signed at the end of each pay period.
- 7.14 *Workers* have time off from their job according to applicable legislation, local traditions and standards.
- 7.15 *Workers* are provided with appropriate time off for meals and breaks.
- 7.16 *Workers* are provided with all legally mandated benefits such as medical insurance, social insurance, pensions etc. to which they are entitled.
- 7.17 Vocational trainees above 18 years of age receive compensation for work performed while training.
- 7.18 Accident insurance is provided to all *workers*, covering medical treatment for work related *accidents* and compensation for work related *accidents* resulting in permanent disability.

- 7.19 *Workers* have freedom to join associations to exercise *collective bargaining* without fear of reprisal, intimidation or harassment.
- 7.20 Daily temporary *workers* are provided with all legally mandated benefits.
- 7.21 Corrective actions required as a result of labour inspections or equivalent are documented and completed within the specified timeframe.
- 7.22 Applicable laws and regulations relating to *workers'* employment, but not covered by the points of this chapter above are complied with.

8. Accommodation

- 8.1 *Accommodation* provided offers adequate and safe conditions.
- 8.2 The average living space is not less than 4.0 m² per individual.
- 8.3 Housing facilities are adequately ventilated and/or heated.
- 8.4 *Workers* are provided with their own individual bed/mattress or sleeping mat.
- 8.5 All facilities are regularly cleaned and maintained in good condition.
- 8.6 Areas where food service is prepared, provided or consumed, meet local sanitation and hygiene regulations.
- 8.7 The requirements on fire safety in *accommodation* are: competence and training of *Workers*, firefighting equipment, evacuation procedure.
- 8.8 Applicable laws and regulations relating to *accommodation*, but not covered by the points of this chapter above are complied with.

9. Discrimination, harassment and abuse

- 9.1 There is no discrimination with regards to *Workers* based on race, religion, *gender identity*, marital or family status, age, political affiliation, nationality, physical ability, *sexual orientation*, *ethnicity* or any other dimension of their identity during recruitment and employment. All *workers* have equal rights and social benefits, unless legal restrictions apply.
- 9.2 *The contractor* does not engage in, support or allow any form of *harassment* or abuse on any *worker*, including contracted and sub-contracted *workers*, in *the working area* or living space.
- 9.3 Applicable laws and regulations relating to discrimination, harassment and abuse, but not covered by the points of this chapter above are complied with.

10. Timber legality and social aspects

- 10.1 The *contractor* shall not carry out illegal logging or other unauthorized or illegal activities (such as, without limitation, poaching) in the *working area*.
- 10.2 If required, *the contractor* has a *due diligence system* in place to avoid use of illegally harvested timber.
- 10.3 The *contractor* shall obtain the relevant use rights (including access and storing rights) from the owners or administrators of the neighbouring lands used or accessed in order to execute the contract, if not done by **INGKA contract partner**.
- 10.4 Restrictions (tonnage and time of use) for access roads are respected.
- 10.5 Any conflict or potential conflict shall be reported as soon as possible to **INGKA contract partner**.

Definitions

Accident –any occurrence that leads to any kind of injury.

Accommodation - a housing arrangement provided by an employer consisting of sleeping quarters or an entire building primarily providing rooms for individuals, families or for groups of Workers.

Buffer zones – Area on each side of the banks and above the head of perennial watercourses and other drains or bodies of water where extra precaution in carrying out forest practices is needed to protect bank edges and water quality.

Chemicals – means chemical substances and products including but not limited to: lubricant oil, diesel, glue, lacquer, solvents, paints, dyes, hardeners, stains, waxes, acids, salts, additives, gases etc.

Client –buyer of timber and/or harvesting rights from Employer.

Collective labour agreement - a contract between the employer and the employees acting through the agency of the representative organization or group.

Collective bargaining - is defined as negotiations between employer and *Worker* representatives (freely and independently chosen by the *Workers*).

Contractor - Client and/or Supplier.

Employer – [company name].

Environmental permit or Licenses - written authorization, license or equivalent regulatory document issued by the competent authority to implement the requisite legal requirements.

Etnicity - culture of heritage, who you are as a “people”, belonging to a certain culture with a common language or dialect, traditions, etc.

Firefighting equipment – fire extinguishers and other appropriate tools or accessories, as required by the relevant regulations, for the intervention in case of fire.

First – aid kit - kit with tools and medicines for first aid intervention.

Forced labour - work or service that a person is compelled to carry out under any threat of punishment or confiscation of personal belongings, and for which work the person has not offered to participate *voluntarily*.

FSC® – *stands* for the Forest Stewardship Council® (FSC), an independent, not for profit, nongovernment organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

Gender identity - people's inner sense of their gender as women, men, or transgender.

Harassment – can be any offensive act, comment or display that humiliates insults or causes embarrassment, or any act of intimidation or threat. It includes, but is not limited to:

- serious or repeated rude, degrading or offensive remarks
- displaying sexist, racist or other offensive pictures, posters
- threats, intimidation or retaliation

Hazardous operations – any activities or operations that that present a high risk for the occurrence of an Accident.

Hazardous waste - waste that could cause harm to public health and/or the environment, as identified by local legislation.

High Conservation Value Forests - areas which possess and/or are needed for the existence and maintenance of High Conservation Values identified according to FSC® Standard.

Incident (near miss) - is a situation in the workplace that could easily have resulted in injury or damage to people and/or the environment.

Ingka contract partner – relevant Ingka Group Forestland Company that has entered into a business relation (contract) with the contractor.

Legal form of employment - a contract or other form (including daily workers registry) used in labour law to attribute rights and responsibilities and govern the relationship between the employer-employee.

Logging sites - forest area where timber harvesting activities are carried out.

Machinery – tractors, skidders, trucks, chainsaw and other mechanical equipment used for carrying out forest activities.

MSDS – stands for Material Safety Data Sheet, a written document that provides *Workers* and emergency personnel with *Routines* for handling or working with chemical substances in a safe manner.

Perennial watercourses – watercourses that are flowing at least 90% of the year under normal climatic conditions.

Prison labour –work involving prison workers.

Routine –a procedure or set of instructions (written or presented in pictures, signs or diagrams) setting a specific working order for an activity or process.

Sexual orientation - homosexuality, bisexuality, heterosexuality, pansexuality and asexuality.

Shelters – temporary forest facilities used for protection from inclement weather and for spending breaks, taking meals and drying and storing clothing, at or within easy access of the Working area. If the climatic conditions require, shelters should be equipped with facilities for heating and warming food.

Supplier – a person or entity providing services under a given specification and at a predetermined cost under the terms of a contract for services, but not under a contract of employment. For the purpose of these Terms suppliers include sub-suppliers.

Terms – Terms of Engagement or ToE.

Young worker - Young workers are persons under 18 years of age, but above the minimum working age, who are engaged in work.

Worker - any person engaged in forestry activities.

Working area – any area/site where forestry activities are carried out within the scope of Contractor's engagement.

ToE Implementation Process for Contractors

1. Purpose

The purpose of this document is to inform the Contractors about the process relating to the implementation of the Terms of Engagement.

2. The process summary

	Step 1	Step 2	Step 3	Step 4		Step 5
What	Communication	Legal Commitment	Registration within the Register of Contractors committed to ToE	Audits* (risk based or imposed by external standards) Audit 1 Audit 2		Follow up
When	Before contract	Contract	After signing the contract	As needed after the commencement of work		After the audit
Who	Business responsible	Business responsible	Business responsible	Technical and/or risk management staff	Technical and/or risk management staff	Risk management staff
Where	Office	Office	Office	Working area	Working area	Office
How	Mail, email, webpage, etc.	By signing the contract	By recording the contract and its addenda	Verifying compliance with ToE provisions (all or part of them, based on risks identified and applicable external standards)	Verifying compliance with ToE provisions (all or part of them, based on risks identified and applicable external standards)	Register the audit and its findings; apply corrective measures as decided.

** The opening and closing meetings of the audits shall require the presence, on behalf of the Contractor, of a person with decisional authority at the level of the working area. Other phases of the audit can take place in the presence of any representative appointed by the Contractor or even in absence thereof.*

** Any time during the validity of the contract, audits can be made unannounced.*